



## 2004 Legislative Priorities

Renewal Community Continuous Border  
Lead Department: Community and Economic Development

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### **Background:**

- What governmental functions are at issue?
  - The City of San Diego has received federal Renewal Community (RC) designation. This program provides federal income tax incentives for investment in older neighborhoods with small business properties, making the business community a key partner in inner city revitalization. The designation is expected to have a powerful impact in stimulating new investment and job creation in areas that have historically experienced disinvestment and blight.
- Why is legislation required?
  - A key neighborhood that was included in the City's application for RC designation was disqualified for a technical reason. The census tracts in this neighborhood were excluded because they are separated from the rest of the RC by a small gap, violating the RC law's requirement of a "continuous boundary."
  - The excluded neighborhood, City Heights, encompasses a third of the application area's population and is an area of poverty, unemployment, distress, and crime.
  - City staff has requested HUD adopt the census tracts as was done under City's former Enterprise Community designation despite a similar boundary requirement in the Enterprise Community law. HUD staff declined that request and has subsequently stopped responding to City correspondence.
- How would the proposal permit the City to perform more effectively?
  - Additional federal tax incentives will be available to six census tracts in the City Heights community of San Diego
  - These census tracts clearly meet the eligibility criteria. The City of San Diego, HUD, and philanthropic organizations have focused over \$200 million in revitalizing City Heights in recent years. Conditions have improved greatly as a result of those investments. But the neighborhood still needs more business involvement.

## Proposal

- Provide specific amendment language you seek

### **Amend Sec. 1400E of the Internal Revenue Code as follows:**

#### **SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.**

##### **(c) Area and Eligibility Requirements-**

(1) IN GENERAL- The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

(2) AREA REQUIREMENTS- A nominated area meets the requirements of this paragraph if--

(A) the area is within the jurisdiction of one or more local governments,

(B) (B) the boundary of the area is continuous (provided, however, that if the nominated area includes census tracts that were previously designated as an Empowerment Zone or an Enterprise Community, then the continuous boundary requirement shall not apply), and

(C) the area--

(i) has a population of not more than 200,000 and at least--

(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater, or

(II) 1,000 in any other case, or

(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

(3) ELIGIBILITY REQUIREMENTS- A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify in writing (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that--

(A) the area is one of pervasive poverty, unemployment, and general distress;

(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1 1/2 times the national unemployment rate for the period to which such data relate;

(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

- (4) CONSIDERATION OF HIGH INCIDENCE OF CRIME- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.
- (5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the General Accounting Office regarding the identification of economically distressed areas.

### **Strategy**

- List likely supporters
  - City of San Diego
  - City/County of San Francisco
  - City of Philadelphia
- List likely opponents
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- List possible Sponsors
  - Senator Diane Feinstein
  - Congresswoman Susan Davis